



Is Sandstorm Gold Ltd. the Next Silver Wheaton Corp.?

Description

It wasn't that long ago that precious metals streamer **Silver Wheaton Corp.** was an unknown start-up. Now, after seeing its share price grow six-fold over the last 10 years, giving it a market-cap in excess of \$10 billion, it is one of the largest publicly listed precious metals streamers.

Despite this success, very few companies have entered this business, leaving it a relatively uncrowded space compared to other industries. Of the few that have, one that stands out for the right reasons is **Sandstorm Gold Ltd.** ([TSX:SSL](#)) ([NYSE:SAND](#)).

Now what?

Sandstorm is a gold-focused streaming and royalty company with an emphasis on underexplored assets. It has 10 gold streaming and 46 royalty agreements in place, which give it a globally diversified portfolio of precious metal assets across North and South America, as well as Africa.

The strength of the company's operations can be seen in its 2014 results, where cash flow grew by 9% compared to 2013 and total assets grew by almost 14%. Sandstorm also finished that year with a solid balance sheet and US\$90 million of cash on hand.

Sandstorm recently boosted its portfolio of mining assets by acquiring a 1% gross proceeds royalty stream from the Diavik diamond mine in Canada. It bought this from struggling gold miner **IAMGold Corp.** for \$57 million and expects it to boost annual cash flow by up to US\$8 million.

For 2015, Sandstorm expects gold production to remain roughly equivalent to 2014 and expect to produce between 36,000 to 44,000 ounces of gold.

Nonetheless, investors need to consider whether or not now is the right time to obtain exposure to gold, as it is under considerable pressure from a strong U.S. dollar and weak oil prices.

Despite these factors, I believe that now is a good time to invest in Sandstorm for two reasons.

First, Sandstorm operates with a significantly lower cost structure than any of the gold miners, which

can be seen in its 2014 cash costs of US\$321 per ounce. When combined with its streaming and royalty agreements that allow Sandstorm to purchase gold for prices between US\$220 and US\$518 per ounce, the company is capable of remaining profitable, even if gold remains soft.

Second, like Silver Wheaton, Sandstorm is not in the business of mining, and is therefore not exposed to the same risks as gold miners, yet unlike bullion, it still offers levered exposure to gold.

However, unlike Silver Wheaton, Sandstorm offers more potential upside because its operations have yet to mature and the company is still in the early stages of development. When you consider the growth of Silver Wheaton's share price over the last decade it is easy to see the potential upside Sandstorm offers.

So what?

While now may not be the ideal time to invest in gold, Sandstorm gives investors levered exposure to gold, while avoiding many of the risks associated with gold miners. It also offers considerable potential upside, while helping to weather-proof investment portfolio's against long-term economic volatility.

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2. Metals and Mining Stocks

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1. Editor's Choice

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